To whom it may concern at the SEC:

I am writing as a middle class citizen of the United States. I have invested in U.S. equities for 35 years, since I graduated from college. I vigorously support the repeal of the grandfather clause to Reg SHO. In fact, when I called the SEC immediately after its passage, I reached one of your spokesman, who said the reason for the grandfather clause, was that they didn't want to increase volatility in the markets. What a joke! It is o.k. for naked short sellers to drive the prices of individual shares of companies into the ground, but not o.k. to make them cover their short sales, when they have gone past the required time period to settle? In fact, when Elizabeth Nazareth of the SEC was head of Enforcement, she responded to such criticism, with, "these people just want their stock to go up". What an irresponsible statement for a member of the SEC, whose mission is to protect the small investor. Now a Commissioner, what is her response now?

It is incredulous to me that the SEC, a government institution that individual investors all across this country have trusted to protect their interests, has failed miserably toward that end. In fact, members of the SEC have gone out of their way to help the mostly institutional fraudsters that have gamed the system for their own enormously out-sized gains. Ms. Nazareth's comments above are irreprehensible, for someone entrusted with the duty to protect individual investors

I have written and called the SEC for years about the issue of naked short selling, and was given the party line of "we are aware of the problem and are looking into the matter. How many more trillions must the average individual "buy and hold" investor (who by the way is very much needed to ensure that volatility is kept in check in the financial markets) lose, before the SEC wakes up and takes action, instead of STUDYING the matter.

The result of the SEC's inaction, is that every equity investor is affected, not just those directly invested in the funds responsible for the fail-to delivers. The effect of naked short selling is basically to sell stock you do not own and don't have any intention to borrow, or make an bona-fide effort to borrow, so as to make money on the short side, without any intention to cover your short position. The grandfather clause has aided and abetted such activity, as has the loose standard for broker dealers: they just need to BELIEVE that they can locate the shares by the settlement date. How can the SEC or any other enforcement agency, enforce such a loose provision? The broker-dealers are gaming the system to cater to the hedge funds. They lend to hedge funds, say they have the shares to lend to hedge funds, and are hedge funds themselves. Many hedge funds use a "distort and short" strategy, taking their short positions, and then putting false rumors out on the Web. Other institutions, with inside information, because they were part of a Private Placement of stock, took their short positions, then benefited when the PIPE deal became public, and the stock prices fell. The SEC, while well aware of such criminal activity, chooses to study the matter instead of quickly doing something about it. Sarbanes-Oxley was passed in a flash to create costly regulatory hoops for corporations, yet little has been done to correct the enormous losses to the individual investor over the past six years, many of these losses at the hands of sellers of fake securites that they have no intention of delivering. In fact, after these same institutions have succeeded in driving fledgling companies into the ground, they suddenly appear as lenders of last resort, who at the least problem with their credit agreements, force them into bankruptcy, thus ensuring they will never to have to cover their shorts.

In the stock market crash of 2000-2002, over $7 trillion of wealth was lost in this country, mostly by individual investors.
The same fraudsters that created fear of Y2K, and pushed equities, technology shares in particular to ridiculous heights, were the same that were shorting the shares to ridiculously low levels in 2002. They were responsible for the extreme speculation in crude oil and oil and gas companies since 2004, increasing inflation, to the detriment of the middle class consumer, even when the relationship between crude prices and supply and demand fell away in Spring, 2005.

The effect has been that the middle class, thoroughly disgusted with loosing 50%+ of their money, fled the markets, some to invest in real estate -- second homes, upgrading, thus creating another asset bubble, which is now bursting. I am a real estate broker in one of the most affluent communities of the country, and I can tell you that many homes have been sold in this town (Lake Forest, Illinois), due to people having to sell their homes due to sudden, unprecedented (other than 1929-33) losses to their tech businesses, or losses in their tech shares. The NASDAQ fell faster and steeper than the DOW did in '29.

Another deleterious effect has the been the de-democratization of the U.S. This is a zero-sum game, and when the naked short sellers were reaping ill-gotten gains, while naive, but honest, individuals were losing. The big game in town is not "plastics", but "hedge funds", and hedge funds with their 2%+ management fees and 20% performance fees have gone to extraordinary lengths to misrepresent their performance, putting losing assets in side pockets, and not ones that are hard to value, either, just losing ones. Hedge fund managers have a good thing going here, with the top manager making $1.4 BILLION in 2005. Money is being sucked out of the middle class into the hands of a few. The super-rich in this country have been getting richer, while the middle class have lost their retirement funds, their kids college funds, at the hands of illegal short sellers, and with the blessing of the SEC, who chooses to help these connivers, through the grandfather clause that was part of Reg SHO.

I am a perfect example. my husband and I have lost over 90% of my wealth since 2000. We have four children and the retirement and college funds are gone. I have two children in college now and have borrowed most of their college tuition. My 49-year old, (white and short) husband with a Master's degree in Computer Science, has been actively looking for a job since March 2005, and has not found work. We have blew through the $5 million our stocks were worth in 2000, over 60% due to the decline in value of our equities and $1 million paid to the government in income taxes. We now have to sell our house that we have lived in for 13 years, and where we have raised our kids, and downsize to a more affordable home. All this is to due to the rapid and unprecedented drop in equity values, much at the hands of short sellers. Much of our wealth was in Microsoft stock, which is the most heavily-shorted stock on the NASDAQ. It has fallen 60% since 2000, and has not recovered, even though its earnings have more than doubled and it is churning out more than $1 billion a month.

Where is the equity in all this? I hope that the Commissioners and Directors and Lawyers for the SEC will take a good long look at themselves in the mirror, and decide when they will begin to act to correct the criminal activity occurring in the financial markets. This means sending individuals to PRISON, not slap meaningless trivial fines on the likes of Credit Suisse, Goldman Sachs, Bank of America, Morgan Stanley, and the like, who have made their huge profits in recent years, not by legitimate activities like investment banking, but by trading and catering to these shysters.

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